PUBLIC DISCLOSURE

March 11, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Celtic Bank
Certificate Number 57056

340 East 400 South
Salt Lake City, Utah 84101

Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

NOTE: **This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Celtic Bank, Salt Lake City, Utah,** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **March 10, 2008**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

This evaluation relied upon records and reports provided by the bank, publicly available loan and financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the previous evaluation.

Specialized terms used in this evaluation are defined in Appendix A.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory.**

Celtic Bank's (CB) CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment areas (AA) in a manner consistent with its product lines, resources, and capabilities. The following narrative supports this rating:

- An analysis of loans reveals a reasonable penetration of lending among businesses with gross annual revenues of $1 million or less and individuals of low- and moderate-income.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA. No unexplained lending gaps were identified.
- A majority of the bank's loans are located outside the institution's AA.
- The bank's loan-to-deposit ratio is more than reasonable, given the institution's size, financial condition and AA credit needs.
- The bank has not received any complaints relating to its CRA performance.
- Community development investment and service performance demonstrates an overall adequate responsiveness to the community's credit needs.

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SCOPE OF THE EVALUATION

This CRA evaluation utilizes the Small Bank procedures. To assess the institution's performance, the following five lending performance criteria are analyzed: the bank's quarterly average net loan-to-deposit ratio; the level of lending within its AA; the distribution of lending to businesses of different sizes (borrower profile); the geographic distribution of loans; and the bank's response to any consumer complaints regarding its CRA performance. Of these criteria, the most weight was placed on the volume of lending to businesses with gross annual revenue of $1 million or less and individuals of low- and moderate-income. In addition, but to a lesser extent, the geographic distribution of loans in low- and moderate-income areas was also given more weight. The bank's investment and service activity within its AA was also analyzed, at management's request.

This evaluation reflects CB's CRA performance since January 13, 2003. The evaluation was conducted from CB's single office in Salt Lake City, Utah. Examiners evaluated CB's CRA performance in the context of the following:

- The current economic environment,
- Demographic characteristics of its AA,
- Lending and community development opportunities within its AA,
- Bank financial resources and constraints,
- Bank product offerings and business strategy,
- Information derived from community contacts, and
- Performance of similarly situated institutions, if any.

The evaluation focuses on the institution's small business lending activity (commercial real estate and commercial industrial loans originated in amounts of $1 million or less), because this is a primary lending focus of the bank. To evaluate the institution's small business lending performance, examiners reviewed a sample of the most recent 12 months (March 1, 2007, through February 29, 2008) of small business loan activity. These 12 months comprise the "review period." The sample was randomly selected from the universe of small business loans originated or purchased during the review period and located within CB's AA. The loans were chosen from an electronic data download of the institution's loan portfolio, as of February 29, 2008. The universe of small business loans comprised 113 small business loans, totaling approximately $325,000. The corresponding credit files for the randomly selected loans were reviewed for business gross annual revenues and geographic location.

CB is subject to the Home Mortgage Disclosure Act (HMDA) data collection requirements. Therefore, this activity is also evaluated. Examiners analyzed the bank's reported HMDA data for 2006 and 2007 for residential mortgage lending performance. Review of 2006 and 2007 HMDA data reveals that the bank originated or purchased 65 loans totaling approximately $12 million in 2006, and 58 loans totaling $10 million in 2007.

June 30, 2007, Dun & Bradstreet (D&B) business data and the 2000 U.S. Census information are presented for comparison purposes. The D&B data is based on the geographic location, using 2000 U.S. Census boundaries of the total number of businesses within the AA and the reported gross sales of those businesses. The census information is based on the geographic location using 2000 U.S. Census boundaries, of the total number of housing units and families and the gross annual income levels of families within the AA. HMDA aggregate data for 2006 is also displayed within the tables for comparison purposes. Neither HMDA nor small business aggregate data for 2007 is currently available.

While construction/land development loans comprise 53 percent of the loan portfolio, these loans were not analyzed because they were originated for a multitude of commercial and consumer purposes. The permanent loans may already be included in the 2007 HMDA data. Furthermore, this loan category is not a focus of CRA evaluations. CB's construction and land development loans are made to residential and commercial real estate developers, real estate investors, and consumers. Consumer loans were not reviewed because of the limited number and dollar volume of lending in this loan type. CB has not originated any agricultural or farm-secured loans since the previous CRA Evaluation.

The analyses presented for Borrower Profile and Geographic Distribution of home mortgage loans reflect the number of loans originated by the bank. Analyses by dollar volume of loans did not result in different conclusions. The number of loans is considered more indicative than the dollar volume of the bank's willingness to lend, because it represents the number of customers assisted, whereas dollar volume does not. Therefore, the analyses by number of loans carry more weight in this evaluation.

To evaluate the institution's community development performance, all investments, loans, and services for the review period of January 13, 2003, through March 20, 2008, which met the CRA regulation's definition of community development purpose, were reviewed and included in this evaluation.

DESCRIPTION OF INSTITUTION

CB is an industrial loan corporation, operating from a single location in Salt Lake City, Utah, in a moderate-income census tract of Salt Lake County. CB opened for business on March 1, 2001. No similarly-situated institutions were identified that were of the same size, with similar branching, and similar products.

As of December 31, 2007, the bank reported total assets of $139 million, total deposits of $123 million, and total equity capital of $13 million. As detailed in Table 2, the loan portfolio totals approximately $125 million and consists primarily of $104 million in loans secured by real estate. Construction/land development is the largest single loan type, comprising approximately 53 percent of the loan portfolio.

Table 1: Composition of Loan Portfolio as of December 3, 2007		
Loan Type	**Dollar Amount (000s)**	**Percent of Total Loans (%)**
Construction and Land Development	66,256	53%
Secured by Farmland	237	Nominal
1-4 Family Residential	5,882	5%
Multi-Family (5 or more) Residential	124	Nominal
Commercial Real Estate	31,292	25%
Total Real Estate Loans	**103,791**	**83%**
Commercial/Industrial	14,008	11%
Lease Financing Receivables	3,546	3%
Agricultural	0	0%
Consumer	2,189	2%
Other Loans	1,193	1%
LESS: Unearned Income on Loans	0	0%
Total Loans	**124,727**	**100%**

Source*: 12/31/07 Report of Condition and Income (Call Report)*

As depicted in Table 1 above, commercial purpose loans (commercial real estate and commercial/industrial loans) comprise approximately 36 percent of the loan portfolio. This loan activity represents the bank's primary business focus: commercial financing for small- and medium-sized businesses. Commercial loans are offered for the purpose of financing equipment, vehicles, accounts receivable, and other business purposes. Revolving credit products include commercial revolving lines of credit. Aircraft or aviation-related loans are also offered. Commercial real estate loans are extended for the purpose of financing the construction, purchase, improvement, expansion, or modernization of business premises. Other commercial loans include bridge loans, custom loans, and leases. CB also offers commercial loans guaranteed by the Small Business Administration (SBA). CB typically sells the guaranteed portion of SBA loans to the secondary market.

As depicted in Table 1, loans secured by residential real estate comprise only 5 percent of gross loans, as of December 31, 2007. However, this volume is not reflective of the bank's actual volume of such lending, because the bank sells a large portion of its residential real estate loans to investors in the secondary market and these sold loans are not reflected in the table. The bank receives a large portion of its applications through brokers located nationwide. Real estate lending products include lot loans, first time home buyer loans, home purchase loans, refinance loans, second mortgages, home equity lines, mobile home loans, and bridge loans. Loans with both fixed and variable interest rates are offered for terms of 10 to 30 years. Second mortgage loans are offered with either fixed or variable interest rates with terms of 1 month to 10 years. In addition to conventional residential real estate loans, the bank offers those that are insured by the Federal Housing Administration (FHA) and those guaranteed by the Department of Veterans

Affairs (VA). To assist applicants with insufficient funds for down payments, CB offers residential loans insured by private mortgage insurance.

As of December 31, 2007, construction, land development, and other land loans represent 53 percent of gross loans. Construction loans are offered to private for-profit and non-profit developers for the purpose of constructing one-to-four family dwellings. Many of these loans are originated or closed in the name of the individual(s) purchasing the home, rather than in the name of a builder or developer.

The bank originates a limited volume of consumer loans (2 percent), such as vehicle or personal loans. Consumer loans are generally offered on an accommodation basis to commercial customers.

The bank does not own or operate any automated teller machines (ATMs). The bank's lobby hours are 8:00 a.m. to 5:00 p.m. Monday through Friday. CB's Internet website represents an alternate system for providing banking services. Customers can review loan products on the website. Commercial deposit accounts are also described on the website. Online banking is available to consumer customers, and a cash management system for commercial deposit customers via the website. Customers can also transmit inquiries or complaints to the bank via the website.

The bank operates in highly competitive markets. According to the FDIC Summary of Deposits for June 30, 2007, there were 63 financial institutions operating 285 offices in the Salt Lake City Metropolitan Statistical Area (MSA). These institutions held $157 billion in deposits with CB and ranked 38th with 0.06 percent of the MSA's total deposits.

CB received a "Satisfactory" rating at its last CRA Performance Evaluation, dated January 13, 2003, using the Small Bank procedures. No legal impediments exist that would prohibit CB from meeting the credit needs of its AAs.

DESCRIPTION OF AAs

CB has defined its AA as the Salt Lake City Utah MSA #41620. This AA meets regulatory requirements. The MSA is comprised of two counties: Salt Lake County and Utah County. Table 2 shows the breakdown of the geographic income characteristics of the 205 census tracts in the AA based on 2000 U.S. Census data, along with other selected demographic data. The census tracts are categorized into 4 geographic income categories based on $54,586 as the 2000 Median Family Income for the MSA.

Table 2: Demographic Information for Salt Lake County					
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**
Geographies (Census Tracts)*	205	3%	22%	47%	28%
Population by Geography*	968,858	1%	22%	50%	27%
Owner-Occupied Housing by Geography*	221,417	Nominal	17%	53%	30%
Business by Geography – 2006**	98,655	8%	21%	40%	31%
Family Distribution by Income Level*	233,707	17%	20%	25%	38%
Distribution of Low and Moderate Income Families throughout AA Geographies*	85,825	1%	34%	51%	14%
2007 HUD Updated MSA Median Family Income***		$61,300	Median Housing Value		$170,522
Percentage of Households (HH) Below Poverty Level*		8%	Unemployment		2%

Source*: *2000 US Census, **2006 D&B Business Data, and ***2007 HUD Updated Median Family Income*

Salt Lake County is the most populous county in the State of Utah, with an estimated population of 996,374 for 2006. Salt Lake County had the second highest population increase in the state with 18,089. The county's average annual growth rate from 2005 to 2006 has been 1.8 percent, below the state average of 2.4 percent. Salt Lake County's average household size is 2.9 people per household compared to the state average of 3.07 people per household.

Economy

The agricultural production in Salt Lake County is expected to decrease as urbanization of the county converts agricultural lands into residential, retail, and industrial uses. However, in 2006, there was a higher demand for grain as a source of energy, especially corn for the production of ethanol.

Utah's robust and diverse economy continues to attract new business, job seekers, and others to the state, resulting in a building boom. The health and stability of the Salt Lake market has proven to be a magnet for national investors, as well as real estate investments. Even with the tremendous growth the area is experiencing, Salt Lake remains a highly attractive and affordable metropolitan area.

Utah ranks second in the nation for the percentage of households with computers. Several cities in Salt Lake County are also members of UTOPIA, a private, non-profit organization providing an ultra-broadband fiber optic network available to every home and business within their city. Construction has already begun in a number of cities including: Midvale, Murray, and West Valley City.

Other significant advantages the State of Utah offers employers is the quality and growth of its work force. Utah's 2006 employment growth of 5.2 percent was among the highest in the U.S. and was nearly four times the national average. The unemployment rate averaged 3.3 percent for 2006. In Salt Lake County, job growth was 3.4 percent for 2006. It is anticipated that growth in 2007 will continue to be strong, in the 4.5 percent range.

Utah is known to have the youngest labor force of any state and its workers are among the healthiest. The United Health Foundation ranks Utah fifth nationally in overall health. The state has the lowest death rate for cancer, and second lowest rate for heart disease. Major employers often note the low absenteeism of their Utah workforce. Furthermore, due to Utah's high birth rate, employers also benefit from a labor supply that will continue to grow at more than twice the national average rate. Utah is one of only a few states in the country with a growing indigenous labor force.

The bank's AA is home to most of the major insured financial institutions in the state, including several regional banks, several credit unions, and many other industrial loan companies.

Community Contacts

Numerous contacts were made in the first three quarters of 2007 that targeted credit and other financial services and community needs within the Salt Lake County AA. These were reviewed in conjunction with this evaluation. The contacts revealed a strong ongoing need for affordable housing, including multi-family housing as well as single family residences. Other needs identified include: credit, homebuyer, pre-purchase counseling, and other related financial literacy training targeting adults as well as student-age children; economic development in areas identified by various governments for rehabilitation; healthcare for low- and moderate-income families and individuals; and childcare for low- and moderate- income families during the workday, including after-school programs for "at-risk" youth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

CB's CRA performance reflects reasonable responsiveness to AA credit needs. The bank's performance under each of the performance criteria is summarized below. The bank's excellent borrower profile performance and reasonable geographic distribution performance within the AA are given the greatest weight in determining the bank's overall lending test performance. However, this performance is somewhat overshadowed by CB's relatively low volume of lending within its AA.

AA Concentration

A majority of CB's small business and home mortgage loans are located outside the bank's AA. Table 3 shows the number and dollar volume distribution of the bank's small business and home mortgage lending inside and outside its AA. The table illustrates that only 42 percent by number and 43 percent by dollar volume of the loans reviewed were located in the AA.

Table 3: Distribution of Loans Inside and Outside of the AA

Loan Category/Year	Number of Loans					Dollar Volume of Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total $
	#	%	#	%		$	%	$	%	
Small Business*										
3/1/2007 to 2/29/2008	56	**50%**	57	50%	113	13	**4%**	312	96%	325
Home Mortgage**										
2006	25	38%	40	62%	65	6,307	53%	5,672	47%	11,979
2007	18	31%	40	69%	58	3,388	34%	6,647	66%	10,035
Total Home Mortgage	43	**35%**	80	65%	123	9,695	**44%**	12,319	56%	22,014
Total Loans Analyzed	99	**42%**	137	58%	236	9,708	**43%**	12,631	57%	22,339

Sources*: *Bank's data on small business loan originations between 3/1/2007 and 2/29/2008; and **Reported HMDA data.*

As detailed in Table 3 above, 50 percent by number of all 113 small business loans originated or purchased over the most recent 12 months, and 35 percent by number of all 123 home mortgage loans originated or purchased in 2006 and 2007 are located within the AA. Comparison of 2006 performance to 2007 performance reveals a decrease in the number and dollar volume percentages of home mortgage loans that are located in the bank's AA. This relatively low volume of lending within the AA is a result of the bank's acceptance of loan applications from brokers located nationwide.

Borrower Profile

Considering CB's low volume of lending within the AA, its distribution of borrowers reflects a reasonable penetration among businesses of different sizes and individuals of different income levels. While the data on the loans within the assessment reflect good penetration of small business loans to businesses with revenues of $1 million or less and good penetration of home mortgage loans to low- and moderate-income borrowers, this finding is mitigated by the institution's low volume of lending within the AA overall. In light of the low volume of lending in the AA, the institution's overall borrower profile performance is considered reasonable.

Small Business Loans

CB's penetration of small business loans to businesses with gross annual revenues of $1 million or less illustrates a good record of lending to small businesses within the AA when comparing the bank's lending performance to D & B data for the bank's AA. Table 4 below provides the distribution of the bank's small business loans within the AA, by number and dollar volume of loans, among businesses with differing revenues, as represented by a randomly selected sample of these loans.

Table 4: Borrower Distribution of Small Business Loans in Salt Lake City MSA

Revenue Size (000s)	Bank Loans*				Businesses**	
	#	%	$ (000s)	%	#	%
< $100	7	29%	2,338	35%	Data Not Available	
$100 - $250	5	21%	2,024	30%		
$250 - $1000	6	25%	1,442	22%		
≤ $1,000	18	**75%**	5,804	**87%**	62,839	**64%**
> $1,000	5	21%	588	9%	4,658	5%
Not Reported	1	4%	300	4%	31,158	31%
Total	24	100	6,692	100%	98,655	100%

Sources*: *Sample of bank's small business loans originated between 3/1/2007 and 2/29/2008; **6/30/2007 D & B Business Data.*

As illustrated in Table 4, CB's penetration of small business loans to businesses within the AA earning $1 million or less in gross annual revenues (75 percent by number and 87 percent by dollar volume) exceeds the percent of businesses reporting gross annual incomes of $1 million or less (64 percent). Approximately 41 percent of the bank's small business loans within the AA were made to very small businesses with revenues of $250 thousand or less. This evidences the bank's willingness to provide financing to small and start-up businesses, an identified credit need. In light of CB's low volume of lending within the AA, its business focus, operational age, lending capacity, and competition, this performance is considered reasonable.

Home Mortgage Loans

CB's penetration of home mortgage loans to low- and moderate-income individuals within the AA reflects a more than reasonable record of lending among individuals of different income levels when comparing the bank's lending performance to census demographic data for the bank's AA. Table 5 provides the distribution of the bank's home mortgage loans within the AA, by number and dollar volume of loans, among borrowers of different income levels for 2006 and 2007. The income distribution of the total number of families in the AA and the aggregate lending distribution for 2006 are also shown for comparison purposes.

Table 5: Distribution of Home Mortgage Loans by Borrower Income in Salt Lake City MSA							
Borrower Income Level	Families*	2006			2007		
		Bank Loans**		Aggregate Lending***	Bank Loans**		Aggregate Lending***
	% of #	#	%	% of #	#	%	% of #
Low	**17%**	1	**4%**	**3%**	1	**6%**	**Not Available**
Moderate	**20%**	7	**28%**	**17%**	7	**39%**	
Middle	25%	7	28%	24%	4	22%	
Upper	38%	10	40%	39%	6	33%	
NA	0%	0	0%	17%	0	0%	
Total	100%	25	100%	100%	18	100%	

Sources: **2000 US Census; **Bank's reported HMDA Data; ***Aggregate HMDA Data.*

As illustrated in Table 5, CB's penetration of home mortgage loans to low-income borrowers (4 percent in 2006 and increasing to 6 percent in 2007) exceeds 2006 aggregate lending performance (3 percent), but is less than the percentage of families in the AA categorized as low-income (17 percent). It is noted, however, 8 percent of households in the AA have incomes below the poverty level and homeownership for these and many other low-income families in the AA is not affordable. CB's penetration of home mortgage loans to moderate-income borrowers (28 percent in 2006 and increasing to 39 percent in 2007) well exceeds both 2006 aggregate lending performance (17 percent) and the percentage of families in the AA categorized as moderate-income. In light of CB's low volume of lending within the AA, its business focus, operational age, lending capacity, and competition, this performance is considered reasonable.

Geographic Distribution

CB's geographic distribution of loans reflects a reasonable dispersion of loans throughout the AA. No unexplained lending gaps were identified. While the data on the loans within the AA reflect a more than reasonable dispersion of loans, particularly in moderate-income census tracts, this finding is mitigated by the bank's low volume of lending within the AA overall. In light of the low volume of lending in the AA, the bank's overall geographic distribution is considered reasonable.

Small Business Loans

The geographic distribution of small business loans reflects a more than reasonable dispersion throughout the AA. Table 6 provides the geographic distribution of the bank's small business loan sample, by the number of loans, originated within the AA. The geographic distribution of the total number of businesses in the AA is shown for comparison purposes.

Table 6: Geographic Distribution of Small Business Loans in Salt Lake City MSA					
Tract Income Level	**2007**				
	Bank Loans*				**Businesses****
	#	**%**	**$**	**%**	**% of #**
Low-Income	2	**8%**	200	**3%**	**8%**
Moderate-Income	9	**38%**	1,788	**27%**	**21%**
Middle-Income	9	37%	3,368	50%	40%
Upper-Income	4	17%	1,336	20%	31%
Total	24	100%	6,692	100%	100%

Sources: **Sample of bank's small business loans originated between 3/1/2007 and 2/29/2008; **6/30/2007 D & B Business Data.*

As illustrated in Table 6 above, CB's performance in low-income census tracts by number of loans mirrors the percentage of businesses located in these census tracts. CB's performance in moderate-income census tracts, by both number and dollar volume, exceeds the percentage of businesses located in these census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans also reflects a more than reasonable dispersion throughout the AA**.** Table 7 below provides the geographic distribution of the bank's home mortgage loans, by number of loans, originated within the AA for 2006 and 2007. The geographic distribution of the total number of owner-occupied housing units in the AA and the 2006 aggregate lending distribution are also shown for comparison purposes.

Table 7: Geographic Distribution of Home Mortgage Loans in Salt Lake City MSA							
Tract Income Level	**Owner Occupied Units***	**2006**			**2007**		
		Bank Loans**		**Aggregate Lending*****	**Bank Loans****		**Aggregate Lending*****
	% of #	**#**	**%**	**% of #**	**#**	**%**	**% of #**
Low-Income	**Nominal**	0	**0%**	**Nominal**	1	**6%**	**Not Available**
Moderate-Income	**17%**	6	**24%**	**15%**	6	**33%**	
Middle-Income	53%	10	40%	57%	6	33%	
Upper-Income	30%	9	36%	28%	5	28%	
No Income Available	0%	0	0%	0%	0	0%	
Total	100%	25	100%	100%	18	100%	

Sources: *2000 US Census; **Bank's reported HMDA Data; ***Aggregate HMDA Data.

As illustrated inTable 7 above, CB made no home mortgage loans in low-income census tracts in 2006 and only one in 2007. This performance mirrors the nominal levels of aggregate lending and owner-occupied housing units in these census tracts. CB's level of home mortgage lending in moderate-income census tracts (24 percent in 2006, increasing to 33 percent in 2007) exceeds both 2006 aggregate lending performance (15 percent) and the percentage of owner-occupied housing units (17 percent) in these census tracts.

Loan-To-Deposit Ratio

CB's average net loan-to-deposit (ANLTD) ratio is more than reasonable given the institution's size, financial condition, competition, tenure, and AA credit needs. The ANLTD ratio is 101 percent, based on an average of the 20 quarters since the previous evaluation, dated January 13, 2003. This ratio measures the extent to which CB utilizes its deposit resources to extend credit and reveals a strong level of commitment to lending.

The institution's ANLTD ratio since September 30, 2005, has consistently been equal to or above 100 percent. CB's highest ratio was approximately 117 percent for the quarter ending March 31, 2007, and its lowest was approximately 85 percent for the quarter ending December 31, 2004. From year-end 2006 to year-end 2007, loans grew approximately 38 percent while deposits grew 59 percent. A similarly-situated institution, in terms of asset size, operational age, and branch distribution, was not identified within the designated AAs.

Flexible Lending Products

To assist small businesses in starting, expanding, and modernizing, CB offers flexible loan products through the SBA, including SBA Express, Low Doc, and 7a program loans. CB is a Preferred SBA Lender and ranked fourth in the Top SBA Lenders in Utah by the dollar amount of loans approved in 2006, with 44 SBA loans totaling $17,340,200 in amounts ranging from $5,000 to $2,000,000. CB received the U.S. SBA Lender of the Year Award for the fourth consecutive year in 2007.

CB participates in the U.S. Department of Housing and Urban Development (HUD) sponsored Single Family New Construction lending program under the FHA program. This program is for manufactured homes. The bank participates through contracts with third-party manufactured housing manufactures and originates the construction portion of the loan for the pad and utilities. The manufactured home is then put into place and the permanent housing loan is funded by FHA. This program is a consumer protection program that regulates the construction of certain factory-built housing units, called manufactured homes. The HUD program also oversees the enforcement of the construction standards through third-party inspection agencies and the state governments. The bank has originated 590 manufactured homes construction loans totaling $69.8 million throughout the nation.

CB also offers FHA, VA, and conventional loans, both conforming and non-conforming with fixed or variable interest rates and a fixed term of 10 to 30 years.

Investments and Services

CB's community development investment and service performance demonstrates an overall adequate responsiveness to the community credit needs. CB has made 7 qualified investments and grants totaling approximately $57 thousand since the previous evaluation. The investments and grants respond to community development needs including affordable housing, small business financing, homeless shelters, and other services to low- and moderate-income families. Descriptions of the qualified investments and services follow:

- $50,029 investment in a Utah Housing Corporation bond that helps to create affordable housing opportunities for low-income families in Utah.
- Three investments ($1,700 in 2004, $2,000 in 2006, and $2,000 in 2007) in the Utah Microenterprise Loan Fund which provides access to capital to Utah small business owners who cannot obtain traditional financing.
- $500 donation in 2007 to Helping Hand Association's The Haven which is a non-profit organization which provides substance abuse treatment and services regardless of the patient's ability to pay.
- $500 donation in 2007 to the Salt Lake Chapter of SCORE which is a tax-exempt association of volunteers who provide free counseling, confidential business advice, and mentoring to small business entrepreneurs.
- $500 donation in 2005 to the Salt Lake Interfaith Hospitality Network which provides shelter to homeless families in Salt Lake City.

CB's management members provide their financial expertise to several qualified community development organizations in Utah. These organizations serve the community development needs for affordable housing, small business financing and development, financial education, and other services for low- and moderate-income families. Descriptions of these community development service activities follow:

- A member of management served as treasurer and board member of Family Promise (Formerly Salt Lake Interfaith Hospitality Network) which provides emergency shelter, employment, life-skills, budgeting, housing, mentoring, and affordable apartments for low-income, homeless families. (from 2/04 to 6/07)
- A member of management serves on Board of Directors of the Utah Microenterprise Loan Fund which provides access to capital to Utah small business owners who cannot obtain traditional financing. (1992 to present)
- A member of management serves on credit committee of Utah Certified Development Company which works as a partner with the SBA and private-sector lenders to assist small business in financing up to 90 percent of long-term fixed assets, such as land, building (existing and new construction), and equipment. (2005 to present)
- A member of management participated in the "Teach Children to Save" financial education campaign by volunteering her time and financial expertise at the Butler Middle School in Cottonwood, UT for 4 hours in 2007 providing financial education to approximately 40 eighth grade students.
- A member of management taught three one-hour classes at Indian Hills Junior High School providing financial education to 7th and 8th graders (approximately 28 in each class). (1/08)
- A member of management serves on the Board of Directors of the MountainWest Capital Network which is Utah's first and largest business networking organization devoted to supporting small business and entrepreneurial success by fostering the flow of information about capital formation and distribution, educating and mentoring, and recognizing and rewarding the performance of small and start-up businesses in Utah.
- A member of management served on the Board of Directors of Vest Pocket Business Coalition which fosters the success of locally-owned and operated neighborhood small businesses in Salt Lake City and provides a forum for their concerns.(12/04 to 1/08)

In addition to the institutions other retail commercial and consumer products and services, CB offers residential mortgages through an third- party financial institutions. This activity allows CB to provide bank customers with opportunities to receive credit products that the bank does not normally offer. In 2007, the institution assisted 42 customers to receive $8 million in residential mortgages.

Response to Complaints

CB has not received any complaints relating to its CRA performance.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX - GENERAL DEFINITIONS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, it a person or geography is located outside an MSA.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, (4) activities that revitalize or stabilize: (i) Low-or moderate-income geographies; (ii) Designated disaster areas; or (iii) Distressed or underserved non-metropolitan middle-income geographies designated by the agencies, based on
a. Rates of poverty, unemployment, and population loss; or
b. Population size, density, and dispersion.
Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into:
male householder
(a family with a male householder and no wife present) or
female householder
(a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units**.**

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.